

THE MAGNAVOX COMPANY, et al.,

V.

Defendants.

74 C 1030
74 C 2510

FILED
OCT 6 1975
JOEL M. FLAUM
U.S. DISTRICT COURT JUDGE

Attorneys for Defendant,
Midway Mfg. Co.

I N D E X

Description

EXHIBIT

- F. Second Report of Magistrate Hartenstine dated September 10, 1975
- G. Endorsement of Magistrate Hartenstine's Second Report by Judge Motley dated September 25, 1975
- H. Plaintiff's Reply To Defendants' Comments On Magistrate's Report filed August 28, 1975 and cover letter dated August 28, 1975 to Hon. Constance Baker Motley from plaintiff
- I. Plaintiff's Post Hearing Memorandum Accompanying Additional Factual Material Requested by Magistrate Hartenstine
- J. Complaint For Patent Infringement filed by defendants on September 22, 1975 against Sears, Roebuck and Co.

all respects, my recommendation is that this motion by Magnavox should be denied in all respects, but without prejudice to the defendants invoking the provisions of Rule 33 with respect to these interrogatories.

I

This action was commenced April 12, 1974. Contrary to counsel's memorandum in support of this motion (at page 1), this is not "an action for patent infringement...." It is an action for a declaratory judgment that the four patents in suit (owned by Sanders and licensed exclusively to Magnavox) are invalid, or that the devices relating to video games manufactured and sold by Midway do not infringe these patents.

On April 15, 1974, Magnavox commenced the action pending in the Northern District of Illinois, Eastern Division, against Bally Manufacturing Corporation (Midway's parent company) and others, alleging patent infringement; one month and seven days later, Sanders was added as a plaintiff in that action and Midway was added as a defendant. On August 30, 1974, Magnavox and Sanders commenced a second action for patent infringement in that court against four

defendants not parties to the first action there. On October 25, 1974, those two cases were consolidated for all purposes under the lower docket number.

While the two consolidated cases pending in Illinois are actions for patent infringement, they involve only two of the four patents involved in this declaratory action. At least four of the defendants there are unrelated to Midway, and the accused devices manufactured by at least two of those unrelated defendants are different from the devices manufactured by Midway. For these reasons, it seems to be undisputed that each accused device will stand or fall on its own merit, as will each of the four patents.

Answers to the complaint here have not been served pending disposition of the motion to transfer, dismiss or stay this action, and answers to the interrogatories that are the subject of this motion have not been served pending disposition of this motion.

II

Rule 26 provides that parties may obtain discovery by written interrogatories (Subdivision (a)), regarding any matter not privileged which is relevant to the subject

matter involved in the pending action (Subdivision(b)(1)). Rule 26 further provides (Subdivision(c)) that upon motion by a party from whom discovery is sought, and "for good cause shown," the court in which the action is pending may make any order which justice requires to protect a party from "annoyance, embarrassment, oppression, or undue burden or expense," including (1) that the discovery not be had, or (2) that the discovery may be had only on specified terms and conditions, including a designation of the time or place. In pressing this motion under Rule 26(c) Magnavox contends that

"To require defendants to respond to plaintiff's interrogatories at this time would result in needless duplication of effort both on the part of the courts and the parties." (Memorandum dated October 15, 1974, in support of motion, at pages 4-5)

In support of this contention Magnavox submitted the October 11, 1974, affidavit of Theodore W. Anderson, one of its attorneys. Mr. Anderson states that Midway's interrogatories to the defendants here are "virtually identical" to the interrogatories served by Midway on Magnavox and Sanders in the consolidated cases pending in Illinois (112-3).

Apart from the discovery sought here; it is undisputed that on May 29, 1975, Magnavox and Sanders served their answers to Midway's second set of interrogatories, which had been served April 29, 1975. Therein, the defendants state (in response to Midway's interrogatories) that neither defendant charges Midway with infringement or contributory infringement of the two patents in suit here that are not included in the consolidated cases pending in Illinois. (See Interrogatories 32 to 34, inclusive.)

In my view the record presented on this motion does not show the requisite "good cause" for this court to grant Magnavox's motion for a protective order. Indeed, it seems to me, the opposite is true. As I read the record, there is good cause shown why Midway should be permitted to go forward with its proposed discovery by way of interrogatories to the defendants in this action, and without further delay.

First, the Declaratory Judgment Act (28 U.S.C. §2201) is limited to "a case of actual controversy...." Aetna Life Ins. Co. v. Haworth, 300 U.S. 227, 239-240 (1937).

There

"...must be a real and substantial controversy admitting of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts....Where there is such a concrete case admitting of an immediate and definitive determination of the legal rights of the parties in an adversary proceeding upon the facts alleged, the judicial function may be appropriately exercised although the adjudication of the rights of the litigants may not require the award of process or the payment of damages." Id. at 241.

In this case, on April 12, 1974, when the complaint was filed, there was an actual controversy between Midway on one side and Magnavox and Sanders on the other. The complaint sets forth the scope of that controversy. It alleges that Magnavox had asserted itself to be the exclusive licensee of Sanders (§6) with respect to four alleged patents (§5), and that

"...Magnavox has charged that the manufacture ...and sale [by Midway] of certain...coin-operated amusement machines and devices constitute infringement of said patents and has threatened plaintiff [Midway] with suit for infringement of said patents unless plaintiff takes a license and becomes a sub-licensee of defendant Magnavox under said patents." (§7)

More particularly, as alleged in the complaint, a charge of infringement of the four patents was made by Magnavox, which had the authority to make it. Midway was engaged in a business which was the subject of Magnavox's charge of infringement. And Magnavox had threatened to file an infringement suit against Midway. Under the cases, there was pleaded a case of actual controversy concerning the four patents within the Declaratory Judgment Act. Drew Chemical Company v. Hercules Incorporated, 407 F.2d 360 (CA2 1969); Dr. Beck & Co. v. General Electric Company, 317 F.2d 538 (CA2 1963); Blessings Corporation v. Altman, 373 F. Supp. 802 (SDNY 1974); ICE Corporation v. Armco Steel Corp., 201 F. Supp. 411 (SDNY 1961). See also Aetna Life Ins. Co. v. Haworth, supra, 300 U.S. at 242-244. Cf. Scheuer v. Rhodes, 416 U.S. 232, 236-237 (1974).

Second, jurisdiction is determined by the state of affairs when an action is commenced. Smith v. Sperling, 354 U.S. 91, 93 n.1 (1957). Generally, subsequent events are not to be considered (ibid.), although in actions which legally fall within the jurisdictional requirements

of the Declaratory Judgment Act the District Court in its discretion may decline to exercise jurisdiction.

Dr. Beck and Co. v. General Electric Company, *supra*, 317 F.2d at 539. As pointed out in Public Affairs Press v. Rickover, 369 U.S. 111 (1962),

"The Declaratory Judgment Act was an authorization, not a command. It gave the federal courts competence to make a declaration of rights; it did not impose a duty to do so." *Id.* at 112.

Conceivably, as it is developed in pre-trial discovery proceedings, the record here may prove to be an unsatisfactory basis on which to entertain this action for declaratory relief. Cf. Forest Laboratories, Inc. v. Formulations, Inc., 299 F. Supp. 202 (ED Wis.1969), *aff'd* 452 F.2d 621, 629 (CA7 1971).

Nevertheless, at this juncture, defendants' answers to Midway's second set of interrogatories, disclaiming charges of infringement or contributory infringement, do not serve effectively as a matter of law to divest this court of jurisdiction to issue a declaratory judgment with respect to any of the four patents here in suit. This was made clear by this court in E.J. Brooks Co. v. Stoffel Seals Corporation, 160 F. Supp. 581 (SDNY 1958),

where Judge Dawson wrote:

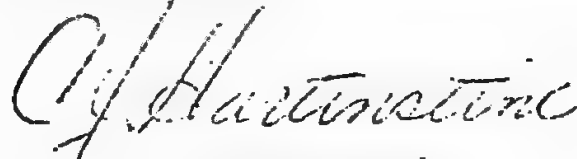
"Defendant cannot create a situation of actual controversy which gives the court jurisdiction under the Declaratory Judgment Act and then, after the commencement of suit, come into court and seek to avoid the jurisdiction of the court by belated concessions that there was no infringement." 160 F. Supp. at 593.

Thus, Midway's first set of interrogatories here may well be "virtually identical" to interrogatories served by Midway in the consolidated cases pending in the Northern District of Illinois, as asserted by defendants' counsel. But it does not follow, as they contend, that defendants' answers here to these interrogatories would result in needless duplication of effort. For "the subject matter involved in [this] pending action," as that phrase is used in Rule 26(b)(1), includes an "actual controversy" concerning two patents within the Declaratory Judgment Act which is not only not presented in the consolidated cases for patent infringement but also will not be presented there. And this is so whether Magnavox's motion to transfer, dismiss or stay this action is granted or denied.

Accordingly, Magnavox's motion for a protective order should be denied.

A proposed endorsement to the notice of motion in accordance with this recommendation is attached to this memorandum, and the motion papers are herewith returned.

Respectfully,

A handwritten signature in cursive script, appearing to read "C. J. Hartenstine".

Charles J. Hartenstine

Attachments

cc: To Counsel

Endorsement

Midway Mfg. Co. v. The Magnavox Company
74 Civ. 1657 (CBM)

The motion of defendant The Magnavox Company for a protective order under Rule 26(c) of the Federal Rules of Civil Procedure concerning plaintiff's first set of interrogatories to defendants having been referred to Magistrate Hartenstine to hear and report his recommendations; and the Magistrate having heard the attorneys for the parties to the motion and submitted his report in a memorandum dated September 10, 1975; and the court being fully advised in the premises, it is

ORDERED, that the motion for a protective order be, and it is hereby, denied, but without prejudice to the defendants invoking the provisions of Rule 33 of the Federal Rules of Civil Procedure with respect to plaintiff's first set of interrogatories if defendants be so advised.

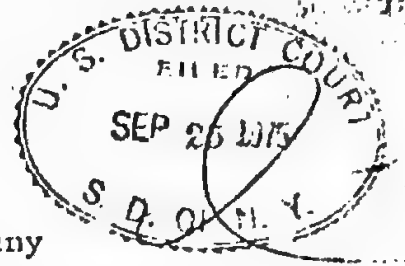
Dated: New York, N.Y.
September , 1975

U.S.D.J.

MEMO. ENDORSED

Endorsement

Midway Mfg. Co. v. The Magnavox Company
74 Civ. 1657 (CBM)



The motion of defendant The Magnavox Company for a protective order under Rule 26(c) of the Federal Rules of Civil Procedure concerning plaintiff's first set of interrogatories to defendants having been referred to Magistrate Hartenstine to hear and report his recommendations; and the Magistrate having heard the attorneys for the parties to the motion and submitted his report in a memorandum dated September 10, 1975; and the court being fully advised in the premises, it is

ORDERED, that the motion for a protective order be, and it is hereby, denied, but without prejudice to the defendants invoking the provisions of Rule 33 of the Federal Rules of Civil Procedure with respect to plaintiff's first set of interrogatories if defendants be so advised.

Dated: New York, N.Y.
September 25, 1975

Christopher Baker J. J.
U.S.D.J.

MICROFILM

SEP 25 1975

SEP 29 1975

RECEIVED
FITCH, EVER,
TAPIN & LUEDERKA

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

MIDWAY MFG. CO.,
a corporation,

Plaintiff,

v.

ACTION NO. 74 CIV. 1657 CBM

THE MAGNAVOX COMPANY,
a corporation,

and

SANDERS ASSOCIATES, INC.,
a corporation,

Defendants.

PLAINTIFF'S REPLY TO DEFENDANTS'
COMMENTS ON MAGISTRATE'S REPORT

Plaintiff, Midway Mfg. Co., submits this reply to the Defendants' Comments on Magistrate Hartenstine's Report of July 28, 1975, those Comments having been served on plaintiff's counsel on August 21, 1975. Plaintiff opposes any change from the Magistrate's Report recommending denial of defendants' motion to dismiss, stay or transfer this action, and requests that this Court adopt Magistrate Hartenstine's Report and rule accordingly by denying the motion in every respect.

The Defendants' Comments are, for the most part, merely a restatement of their position which had previously been presented to Magistrate Hartenstine in numerous briefs and letters, as well as at an oral hearing before the Magistrate. The only new point raised is the recent filing (on July 11, 1975) in California of a new action against the defendants by a different and unrelated party seeking a declaratory judgment of invalidity and noninfringement of only two of the four patents involved in this action; but this new action in California does not involve the plaintiff or any of its products and is not relevant to any consideration presented in this matter. If anything,

EXH. I
EXH. I

it merely supports plaintiff's position stated to the Magistrate that all of the issues between defendants and all of the parties charged with infringement cannot be determined in any one action or in any one district. But every issue between plaintiff and defendants will be determined in this action.

Magistrate Hartenstine's Report gave thorough consideration to all of the statutory standards relevant to the determination of the motion after receiving extensive briefs and oral arguments on the matter, which are all listed below. Indeed, a review of the following list of memoranda, exhibits and arguments of the parties clearly shows that the parties have already presented all of their views on this matter:

- 1) Defendants' Memorandum in Support of Motion, served April 22, 1974, with attached exhibits and affidavit of defendants' counsel, Theodore W. Anderson.
- 2) Plaintiff's Memorandum in Opposition to Defendants' Motion, served May 20, 1974, with attached exhibits and affidavit of plaintiff's counsel, Donald L. Welsh.
- 3) Defendants' Reply Memorandum in Support of Motion, served on May 24, 1974, with attached exhibits and a supplemental affidavit of defendants' counsel, Theodore W. Anderson, as well as an affidavit of John T. Cella.
- 4) Plaintiff's Reply Memorandum in Opposition to Motion, served May 28, 1974, with attached exhibits.
- 5) Plaintiff's Supplemental Memorandum in Opposition to Motion, served on August 26, 1974, with a further affidavit of plaintiff's counsel, Donald L. Welsh.
- 6) Defendants' Reply to the Supplemental Memorandum, served September 4, 1974, with an attached second supplemental affidavit of defendants' counsel, Theodore W. Anderson, and various exhibits.
- 7) Oral hearing before Magistrate Hartenstine on September 19, 1974, attended by three attorneys representing plaintiff and three attorneys representing defendants.
- 8) Plaintiff's Post-Hearing Memorandum with Accompanying Additional Factual Material Requested by Magistrate Hartenstine, served September 27, 1974.

- 9) Defendants' Post-Hearing Memorandum in Support of Motion, served October 30, 1974, with attached third supplemental affidavit of defendants' counsel, Theodore W. Anderson, and various exhibits.
- 10) Plaintiff's Reply to Defendants' Post-Hearing Memorandum, served November 4, 1975.
- 11) Letter to Magistrate Hartenstine of December 16, 1974 from defendants' counsel with additional case citations and arguments in support of the motion.
- 12) Letter to Magistrate Hartenstine of December 19, 1974 from plaintiff's counsel replying to defendants' letter.

It is certainly obvious from the above that this motion was fully considered in every way on a voluminous record, and that defendants are now merely attempting to delay this matter to prevent this action from moving forward to trial. No further briefs or hearings are necessary or appropriate.

Defendants in their comments on the Magistrate's Report clearly misrepresent a number of facts. First, they misrepresent the facts when they state that all the issues in this action will be decided by the Court in Chicago in the later filed suit there. This is just not true! As noted by Magistrate Hartenstine, this action involves four patents, while the Chicago action involves only two of the four patents. Therefore, the Chicago action cannot dispose of all of the issues between these parties.

After defendant Magnavox charged plaintiff Midway and its customers with infringement of all four patents and attempted to force Midway into paying for a license under the four patents, plaintiff exercised its right to bring this action for a declaratory judgment that its devices do not infringe defendants' patents and that those patents are invalid. Defendants now apparently have changed their minds and state that they do not charge plaintiff with infringement of two of the four patents which are in suit here, but not in Chicago; but this certainly does not

remove them from issue in this case. It should be noted that defendants have not filed any disclaimer of the patents as is required by the Patent Laws (Section 253 of Title 35, United States Code) to remove those patents from issue. To the contrary, defendants are merely attempting to manipulate the issues here, as they did in the Chicago action, such as by belatedly filing an amended complaint adding Sanders as a plaintiff and Midway Mfg. Co. to the other defendants there more than a month after this action was filed. In fact, defendants may be holding back these two patents to avoid a trial and adjudication of invalidity so that they can be used to continue harassing the plaintiff and its customers even if defendants' other two patents are held invalid.

Therefore, defendants are clearly misrepresenting the fact situation to this Court when they charge that Magistrate Hartenstine "failed to consider that two of the patents in this action had been removed therefrom" (page 2 of Defendants' Comments). Indeed, all four of defendants' patents are included in the plaintiff's complaint filed in this action, and none have been removed from issue. Consideration of all of the facts clearly shows that only in this action here in New York can all of the issues between the parties Midway, Magnavox and Sanders be determined.

Since all of the issues between the parties to this action can only be determined in this action, and in view of the belated joining of Midway as a defendant in the Chicago action, plaintiff Midway has filed a motion in the Chicago action to sever that action as it relates to Midway and transfer it to this district. However, every issue between Midway, on the one hand, and Magnavox and Sanders, on the other hand, raised in the Chicago action is already present in this action, and in this way Midway would only have to go through one trial instead of two. That is this action would dispose of all issues between these parties.

In any event, however, it is not seen how Midway's pending motion in Chicago can have much bearing on this matter, except to show that this issue is still unsettled in the Chicago action. Magnavox and Sanders will no doubt have to go through multiple trials in any event because it elected to bring the later filed action against other parties in Chicago rather than in New York, and these other parties make and/or sell all sorts of different video game devices.

Second, defendants' reference to the list of 19 East Coast witnesses as a "sham" is unsupported and completely unwarranted. The names of those witnesses were obtained by plaintiff from the answers of Magnavox and Sanders to interrogatories served by another party in the Chicago action (Chicago Dynamic Industries) because Magnavox and Sanders would not answer plaintiff's interrogatories in this action. Defendants moved to quash plaintiff's interrogatories in this case on October 15, 1974, which motion was also referred to Magistrate Hartenstine for a report, and this matter is still pending.

Moreover, defendants failed to mention to this Court that a list of discovery yet to be completed by Midway was presented to the Judge and to the defendants in open court in the Chicago action on July 28, 1975 and that this list includes the East Coast witnesses in Paragraph 8 thereof. A copy of this list of unfinished discovery is attached hereto as Exhibit A. Further, defendants attempt to mislead this Court by submitting with their comments various responses given by Midway to certain interrogatories served by Magnavox et al. in the Chicago action, which interrogatories do not relate to the particular defense on which these witnesses are expected to testify.

It is, of course, obvious that the biggest factor in delaying Midway's discovery both in this action as well as in the

Chicago action is the obstructive tactics of Magnavox and Sanders. To overcome this problem in the Chicago action, Midway filed a motion under Rule 37 to compel discovery from Magnavox and Sanders, and this motion was recently granted by the court in Chicago on July 28, 1975. In fact, it was only after Midway filed and briefed this motion that Magnavox and Sanders would answer interrogatories and produce documents relating to all four of their patents. To avoid piecemeal discovery Midway had deferred the taking of any depositions until it could inspect and obtain copies of those documents. As can be seen from the list of Exhibit A, Midway has not yet taken the depositions of the inventors, which must certainly be done, nor has it yet even finished its document inspection at Sanders in New Hampshire, although Midway's counsel has spent two days there on the documents.

With respect to defendants' comments relating to an early trial in Chicago, they again failed to tell the whole story. It is clear that if they are ready for trial in Chicago they can be equally as ready for trial in New York. But, in fact, defendants did not mention in their comments that since their motion was filed in this action, the Chicago action was transferred to a new judge, from Judge Marshall to Judge Flaum, or that the two patents in suit in Chicago have now been surrendered by Sanders back to the Patent Office to obtain a reissue of those patents with different claims. One of the reissue patents was just recently granted on August 5, 1975, and the other has not yet been granted. So, if and when both reissue patents are granted, the issues presented will be different than those under the original patents, and will require further pleadings and discovery. A copy of page 16 of the Patent Office Official Gazette of August 5, 1975, showing reissue patent No. Re. 28,507 (based on the '284 patent in suit) is attached hereto as Exhibit B.

EXH. I
EXH. J

The other points raised by defendants in their comments merely rehash the arguments repeatedly raised to Magistrate Hartenstine, but rejected, and no further comment is considered necessary.

Thus, for all of the above reasons this Court should promptly enter an order denying defendants' motion, so that plaintiff can proceed with this case which it filed on April 12, 1974.

Respectfully submitted,

MIDWAY MFG. CO.

By Richard A. Huettner
Richard A. Huettner, Esq.
Kenyon & Kenyon Reilly Carr
& Chapin
59 Maiden Lane
New York, New York 10038
(212) 425-7200

Attorney for Plaintiff

Of Counsel:

Donald L. Welsh, Esq.
A. Sidney Katz, Esq.
Fitch, Even, Tabin & Luedeka
135 South La Salle Street
Chicago, Illinois 60603
(312) 372-7842

July 28, 1975

MAGNAVOX, ET AL V. BALLY, ET AL - 74 C 1030 and 74 C 2510

UNFINISHED DISCOVERY CONTEMPLATED BY DEFENDANT MIDWAY

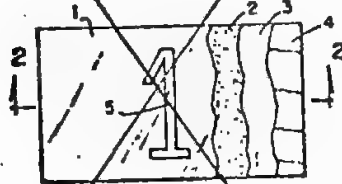
<u>Estimated Time</u>	
1 week	1. Complete inspection of Sanders' documents at Nashua, New Hampshire.
2 weeks	2. Preparations for depositions at Sanders including examination of copies of documents requested from but not yet furnished by plaintiffs (i.e. copies of documents already inspected at Chicago and Nashua, New Hampshire).
4 weeks	3. Depositions at Sanders in Nashua, New Hampshire (5 persons).
2 weeks	4. Inspection of Magnavox documents at Ft. Wayne, Indiana scheduled for August 4.
1 week	5. Depositions of Magnavox at Ft. Wayne, Indiana.
2 weeks	6. Preparation of requests for admissions and some additional interrogatories to narrow issues for trial.
4 weeks	7. Investigation of the Spacewar video game of 1961-66, and depositions of various third parties in California and Massachusetts (approximately 15 persons) regarding the same.
2 weeks	8. Inspection of documents and depositions of third parties on East Coast regarding Sanders' demonstrations and negotiations relating to the sale or licensing of the patented subject matter prior to filing of the applications for patents.
1 week	9. Deposition of plaintiffs' expert (identification requested by interrogatory but not yet furnished by plaintiffs).
19 weeks	

Re. 28,506

INDICIA BEARING ANODIZED ALUMINUM ARTICLES
 Harold J. Quantance, Fairview Park, and Eugene Wanner,
 Shaker Heights, both of Ohio, assignors to Horizons Incorporated,
 Cleveland, Ohio

Original No. 3,765,994, dated Oct. 16, 1973, Ser. No.
 205,493, Dec. 7, 1971. Application for reissue Oct. 15,
 1974, Ser. No. 514,750

Int. Cl.² B44C 1/06; B32B 15/08; C25D 5/00; G03C 1/02
 U.S. Cl. 428-203 19 Claims



1. A laminated article bearing an image buried within at least one lamina of said article and comprising:
 at least one clear supporting panel member;
 at least one transparent porous layer consisting of aluminum oxide at least some of the pores of which contain an opaque material distributed in said pores so as to define an image;
 and a clear adhesive disposed between said panel and said porous layer and bonding said panel to said porous layer.

Re. 28,507

TELEVISION GAMING APPARATUS

William T. Rusch, Hollis, N.H., assignor to Sanders Associates, Inc., South Nashua, N.H.

Original No. 3,659,284, dated Apr. 25, 1972, Ser. No. 828,154, May 27, 1969. Application for reissue Apr. 25, 1974, Ser. No. 464,256

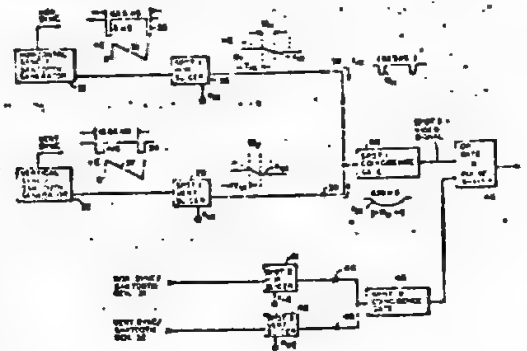
Int. Cl.³ G08B 5/36

U.S. Cl. 340-324 AD

64 Claims

1. In combination with a standard television receiver, apparatus for generating signals representing a symbol to be displayed on the screen of said television receiver, comprising:

means for generating sync signals;
 means for generating a first sawtooth wave;
 means for generating a second sawtooth wave;
 means coupled to said first sawtooth wave generating means for generating first current pulses proportional to a predetermined slice of said first sawtooth wave, including a first slicer having first and second diodes connected back-to-back with one junction thereof coupled to said first sawtooth wave generating means, a capacitor coupled from the other junction to ground and means for receiving a control signal at said other junction, and first means for differentiating the output from said first slicer;
 means coupled to said second sawtooth wave generating means for generating second current pulses proportional to a predetermined slice of said second sawtooth wave, including a second slicer having third and fourth diodes



connected back-to-back with one junction thereof coupled to said second sawtooth wave generating means, a capacitor coupled from the other junction to ground and means for receiving a control signal at said other junction, and second means for differentiating the output from said second slicer;
 a coincidence gate coupled to said first and second current pulse generating means,
 means for summing the output from said coincidence gate and said sync signals;
 an RF oscillator;
 means for modulating the output of said RF oscillator with said summed signal; and
 means for applying said modulated signal to said receiver.

Sin

Please take notice that the

of which the within is a copy, was on the
day of , 196 , duly entered
and filed in the office of the clerk of the U. S.
District Court for the
District of

Dated, New York, N. Y.,

196 .

Yours Scc;

KENYON & KENYON REILLY CARR & CHAPIN,
Attorneys for

59 MAIDEN LANE
BOROUGH OF MANHATTAN
NEW YORK, N. Y. 10038

CERTIFICATE OF SERVICE

I hereby state under penalty of perjury
that a true copy of the within

is today mailed to counsel for the opposing
party (parties).

Date:

KENYON & KENYON REILLY CARR & CHAPIN

United States District Court

Southern District of New York
Civil Action, File No. 74/1657 (CBM)

On Patent No.

MIDWAY MFG. CO.,
a corporation,
Plaintiff,

vs.

THE MAGNAVOX COMPANY,
a corporation,
and
SANDERS ASSOCIATES, INC.,
a corporation,
Defendants.

PLAINTIFF'S REPLY TO DEFEN-
DANT'S COMMENTS ON MAGIS-
TRATE'S REPORT

KENYON & KENYON REILLY CARR & CHAPIN
Attorneys for Plaintiff

59 MAIDEN LANE
425-7200 NEW YORK, N. Y. 10038

Copy received this 28 day of August
1967 2:30 PM
Frederick B. Kenyon
300 10th Avenue
New York, N. Y. 10018
Attorney for

Notary Public

Subscribed and sworn to
before me this
day of , 196

by exhibiting the within original and delivering a copy thereof to

upon

at
New York, N. Y.,

office

noon he served the within

herein; that on the day of , 196 , at

and says that he is over years of age and is a clerk in the office of Kenyon & Kenyon

, being first duly sworn, deposes

City and County of New York } ss:
STATE OF NEW YORK

August 28, 1975

BY HAND

Honorable Constance Baker Motley
United States District Judge
United States District Court
United States Court House
Foley Square
New York, New York 10007

Re: Midway Mfg. Co. v. The Magnavox
Company and Sanders Associates, Inc.
Civil Action No. 74 Civ. 1657 CBM

Dear Judge Motley:

With their letter of August 21, 1975 defendants' counsel filed their Comments on the Magistrate's Report on defendants' motion to transfer, dismiss or stay this action. Magistrate Charles J. Hartenstine, Jr., recommended in his report of July 28, 1975 that defendants' motion be denied in all respects. Plaintiff, Midway Mfg. Co., now files herewith its reply to the Defendants' Comments which show that the Court should adopt the Magistrate's Report without change.

Magistrate Hartenstine gave thorough consideration to all of the statutory standards relevant to the determination of defendants motion after receiving nine memoranda from the parties with numerous attached affidavits and factual exhibits, two letters from the parties commenting on recent cases and an oral hearing before the

Honorable Constance Baker Motley

August 28, 1975

Magistrate which was attended by three attorneys for each of the parties. Based on this substantial record, Magistrate Hartenstine gave careful consideration to all of the facts and arguments, and prepared his report which is both extensive and detailed.

As discussed in Plaintiff's Reply, defendants' comments are, for the most part, merely a restatement of their position which had previously been presented to Magistrate Hartenstine and rejected. The only new point raised by defendants is the recent filing in California of a new action against them by a party unrelated to the plaintiff, but this is totally irrelevant to any consideration presented in this matter.

In view of the fact that defendants' motion was filed on April 22, 1974, and that it was fully considered in every way, no further briefs or hearings are necessary or appropriate, and an order should be promptly entered denying defendants' motion so that plaintiff can proceed with this case which was filed on April 12, 1974. As will be appreciated, further delays will be prejudicial to the plaintiff in this case.

Very truly yours,

Richard A. Huettner
Attorney for Plaintiff

cc: Magistrate Charles J. Hartenstine, Jr.
Fitzpatrick, Cella, Harper & Scinto
Neuman, Williams, Anderson & Olson

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

MIDWAY MFG. CO.,)	
a Corporation,)	
)	
Plaintiff,)	
)	
v.)	CIVIL ACTION NO.
)	
THE MAGNAVOX COMPANY,)	<u>74 C 1657 CBM</u>
a Corporation,)	
)	
and)	
)	
SANDERS ASSOCIATES, INC.,)	
a Corporation,)	
)	
Defendants.)	

PLAINTIFF'S POST HEARING MEMORANDUM
ACCOMPANYING ADDITIONAL FACTUAL
MATERIAL REQUESTED BY MAGISTRATE HARTENSTINE

At the recent hearing before Magistrate Hartenstine in this action, the Magistrate requested additional factual material including an affidavit of counsel for plaintiff Midway and a copy of the responses of defendants here, Magnavox and Sanders, to interrogatories served on them by Chicago Dynamic Industries, Inc., a defendant in the later filed action brought by them in the Northern District of Illinois. That affidavit and those interrogatory responses are attached hereto along with a license agreement offered by Magnavox and involving the patents in suit here as well as other related patents and applications.

In connection with their responses to interrogatories in the Chicago action, defendants Magnavox and Sanders elected to follow Rule 33(c) of the Federal Rules of Civil Procedure and, instead of giving responses to certain interrogatories, chose to produce for inspection the documents required to obtain the requested information. Magnavox and Sanders did not offer to

make those documents available for inspection in Chicago but, instead, said (at Page 2 of the responses):

"Those of the produced documents in the possession of Magnavox shall be made available for inspection in the Magnavox offices at 1700 Magnavox Way, Fort Wayne, Indiana, and those of the produced documents in the possession of Sanders shall be made available for inspection in the Sanders offices at Daniel Webster Highway, South, Nashua, New Hampshire."

All Evidence With Respect To The Development
Of The Devices Of The Patents In Suit Is In
New Hampshire

Although the present suit involves four patents, only two of those are in issue in the Chicago suit. Based on the interrogatory responses of Magnavox and Sanders in the Chicago suit, the witnesses and documents which plaintiff Midway expects to examine with respect to the development of the devices in the two patents in the Chicago suit are located at the Sanders facilities in New Hampshire and, therefore, on the East Coast closer to this Court in New York than to the Chicago court. On that same basis and, in the absence of any indication to the contrary, it is believed that the development of the devices in the other two patents in issue here, and of the additional three patents and two applications referred to in Paragraphs 5 and 6 of the attached Affidavit of Donald L. Welsh and listed on Page 2 of the Exhibit 8, the license agreement proposed by Magnavox, also took place at the Sanders facilities in New Hampshire.

Evidence with respect to all of the seven patents and two applications of Sanders on video games and the interrelation of these patents and applications is relevant here with respect to plaintiff Midway's position that the four patents in suit are

invalid because of prior invention or double patenting (see Paragraphs 5 and 6 of the attached Affidavit of Donald L. Welsh and Paragraphs 9(e), 9(1) and 10 of the Complaint). Moreover, considering the number of patents and applications, there must be large volumes of relevant documents all of which are located at the Sanders facilities in New Hampshire.

From the interrogatory answers, it appears that, in addition to all of the documents relating to the development of the devices of the patents in suit and related patents and applications, there are located at the Sanders facilities in New Hampshire, at least seven (7) witnesses knowledgeable about the developments of the devices in the various patents and applications and the attempts by Sanders to sell or license these developments and such devices to various companies on the East Coast. These witnesses and the interrogatory responses in which they are named are as follows:

<u>Witnesses</u>	<u>Response Numbers</u>
William T. Rusch	1, 2, 42
Ralph H. Baer	1, 2, 40, 42, 44, 46
William L. Harrison	2, 40, 42
Daniel Chisholm	3
John A. Melrose	3
Louis A. Etlinger	3, 40, 41
H. C. Chapman	40, 41

Documents relating to the development of the various devices and apparatus and their location in New Hampshire are referred to in the responses to Interrogatories Nos. 1, 2, 3, 4, 11, 15, 17, 18, 19, 20, 21, 26, 27, 28, 29, 30, 31, 32 and 35. In addition, the actual apparatus from which drawings for at

EXH. J

least the two patents in the Chicago suit were made are located at the Sanders facilities in New Hampshire, as set forth in the responses to Interrogatories Nos. 26 and 27.

Other Witnesses To Be Examined With Respect To
Sale Or Licensing Of The Alleged Invention Also
Are Located On The East Coast

In addition to the personnel of Sanders noted above and involved in attempts to license rights under the patents in suit and other patents and applications of Sanders relating to video games, the interrogatory responses list nineteen (19) persons who are indicated as located or are believed to be located on the East Coast and to whom devices relating to the patents in suit were demonstrated for the purpose of sale or licensing more than one year prior to the filing dates of some of the Sanders' patent applications involved in this suit, and hence are relevant to plaintiff's allegations of patent invalidity in its Complaint, Paragraphs 9(a) and (b). These and the interrogatory responses referring to them are as follows:

<u>Witnesses</u>	<u>Response Numbers</u>
Hubert J. Schlafley	44, 49
Eugene Whitacre	46
Ken B. Gould	46
Mr. Leyton	46
C. Lance Marshall, Jr.	49
Harold W. Solomon	29
Joseph P. Whelton	49
Irving Kahn	49
Roger Wilson	49
Francis H. Boos, Jr.	49, 50

<u>Witnesses</u>	<u>Response Numbers</u>
B. J. Smith	49, 50
A. Stauffer	49, 50
Ralph Czerbusky	49, 50
Richard C. Kimm	49, 50
E. J. Zinkle	49, 50
Phil E. Perchanok	49, 50
Felix Millikin	49
C. Bailey Neal	49
Irving Gilman	49, 50

Of the above witnesses, Hubert J. Schlafley, Irving Kahn, and Roger Wilson are indicated as being associated with Teleprompter which is located in New York City (Interrogatory Responses Nos. 44 and 49).

Evidence of Video Games Manufactured Under
The Patents In Suit Also Is Located Outside
Of The Northern District Of Illinois

Personnel and documents of Magnavox relating to the design and manufacturing of its video games under the patents in suit are located either in Fort Wayne, Indiana or in Greenville, Tennessee. This is clear from Magnavox and Sanders Interrogatory Responses Nos. 28, 29, 30 and 31 and from Paragraph 5 of the first affidavit of Theodore W. Anderson accompanying the Motion to Transfer. Of course, neither of those cities is located in the Northern District of Illinois.

There Is No Connection Between Either Defendant
And The Subject Matter Of This Suit In The
Northern District Of Illinois

The only connection any party to this suit has with

respect to the subject matter of this suit in the Northern District of Illinois is Midway's manufacture of video games there and the design of a portion of such games there, the major portion of the design of the Midway games having been performed by Atari, Inc. in California (Paragraph 6 of the first Affidavit of Donald L. Welsh accompanying Plaintiff's Memorandum in Opposition to Defendant's Motion to Stay). Thus, proof regarding the development of Midway's games would require examination of witnesses and documents of Atari in California even if this case were transferred to Illinois. Although counsel for defendants at the recent hearing stated that another company in the Chicago area, Universal Research Laboratories, Incorporated, of Elk Grove Village, Illinois, designed electronic printed circuit boards for the video games manufactured and sold by Midway, none of the printed circuit boards or other parts of Midway's video games have been designed or manufactured by Universal Research Laboratories, Incorporated (See Paragraph 3 of attached Affidavit of Donald L. Welsh).

Conservation Of Judicial Resources Is Not Served
By Transfer Of This Case To Illinois

Counsel for defendants has argued that transfer of this case to Illinois will result in resolution of the issues with respect to all accused infringers in that court with a consequent conservation of judicial resources. That argument fails for several reasons. While the issue of infringement of games such as those of Atari, Inc. and Allied Leisure Industries, Inc. would be present in Illinois if this case were not transferred, the proofs with respect to that issue still would require examination of witnesses and documents at the facilities of Allied and Atari in

Florida and California, respectively, rather than in Illinois. This is true because Empire whose sale of these games puts them in issue in Illinois has no knowledge with respect to the details of the construction or development of those games (See Paragraph 4 of the attached Affidavit of Donald L. Welsh). Moreover, neither Allied nor Atari would be bound by a decision on the validity of the patents either in Illinois or New York. Therefore, in order to resolve all issues with respect to them, Magnavox and Sanders must file other suits in Florida and California even if this case were transferred.

Although a relatively minor point when considered with the question of convenience of the witnesses and parties, a question arose at the hearing as to whether, if this Court found the patents in suit to be invalid, defendants would thereafter be estopped to assert the patents against other parties. On that point, counsel for defendants noted the case of Blonder-Tongue, Inc. v. University of Illinois Foundation, 402 U. S. 313 (1971) and argued that there would not be estoppel here because this is not a forum of defendants' choice. Plaintiff takes issue with that position and urges that a holding of invalidity of the patents here would estop the defendants from asserting them against others. The cause of conservation of judicial resources then would be served by retaining this cause here.

New York Is The Logical Place For Plaintiff To
Bring This Suit And Convenience To The Parties
And Witnesses Is Far Better Served With The
Suit Here Rather Than Elsewhere Such As Illinois

As pointed out at the hearing, having decided that a suit was necessary to resolve its controversy with Magnavox and Sanders, plaintiff acted logically and reasonably in its selection

of this district for the suit. First, it is the home of Magnavox whose corporate offices are here. While defendants argue that, insofar as video games are concerned, Magnavox activities are located in Fort Wayne, Indiana and Greenville, Tennessee, that fact is immaterial because neither of those cities is located in the Northern District of Illinois nor are they more convenient to Illinois than New York.

Of greatest importance is the proximity of New Hampshire to New York City and the location in New Hampshire of all of the witnesses and documents relating to the development leading to the patents in suit and the numerous related patents and applications. That fact coupled with the fact that New York City was the district where both defendants, both essential to the action, could be joined made this district the logical choice of plaintiff. The numbers of witnesses and documents to be examined in New Hampshire and New York not only are far greater than any related to this suit and located in Illinois but they are believed to be greater than the combined witnesses and documents relative to the suit and located elsewhere such as in Fort Wayne, Indiana, Greenville, Tennessee and at Atari's facilities in California. The ready access to all of these witnesses and documents on the East Coast is essential to plaintiff's case in establishing the invalidity of the defendants' patents.

SUMMARY AND CONCLUSIONS

As noted on Pages 6 and 7 of plaintiff's first memorandum and Page 2 of its reply memorandum, plaintiff's choice of forum should not be disturbed unless there are factors of substance favoring transfer over retention. Here, the relevant

factors of convenience of the parties and witnesses and the interest of justice clearly require that this case remain here in New York. Defendants' Motion to Transfer therefore should be denied. Also, for the reason noted at the recent hearing that the issues in the suit here and those in the Chicago suit are not the same, the defendants' alternative motions to dismiss or stay proceedings here should be denied.

Respectfully submitted,

MIDWAY MFG. CO.

By

Richard A. Huettnner, Esq.
Kenyon & Kenyon Reilly Carr
& Chapin
59 Maiden Lane
New York, New York 10038
(212) 425-7200
Attorney for Plaintiff

Of Counsel:

Donald L. Welsh, Esq.
A. Sidney Katz
Fitch, Even, Tabin & Luedeka
135 South La Salle Street
Chicago, Illinois 60603
(312) 372-7842

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

MIDWAY MFG. CO.,
a Corporation,
Plaintiff,

v.

THE MAGNAVOX COMPANY,
a Corporation,

and

SANDERS ASSOCIATES, INC.,
a Corporation,
Defendants.

CIVIL ACTION NO.

74 C 1657 CBM

THIRD AFFIDAVIT OF DONALD L. WELSH,
COUNSEL FOR PLAINTIFF

STATE OF ILLINOIS)
) SS:
COUNTY OF COOK)

Donald L. Welsh, being duly sworn, deposes and says:

1. He is one of the attorneys for Plaintiff, Midway Mfg. Co. in the above-entitled action and for Midway Mfg. Co., Bally Manufacturing Corporation and Empire Distributing, Inc., Defendants in a later action brought in the U. S. District Court for the Northern District of Illinois, Eastern Division, by Defendants here, The Magnavox Company and Sanders Associates, Inc. In addition to Midway, Bally and Empire, the Defendants named in the action in Illinois as originally filed included Chicago Dynamic Industries, Inc., Atari, Inc., and Allied Leisure Industries, Inc. As noted previously to the Court here in the Southern District of New York, the Chicago suit has been dismissed with respect to Atari, Inc. and Allied Leisure Industries, Inc.

2. In the action in the Northern District of Illinois,

defendant Chicago Dynamic Industries, Inc. served interrogatories on The Magnavox Company and Sanders Associates, Inc., plaintiffs there but defendants here in the Southern District of New York. Responses of Magnavox and Sanders to those interrogatories, sworn to by their counsel, Theodore W. Anderson, were filed in the Illinois suit. A copy of such responses is attached hereto as Exhibit 7.

3. He is informed and believes that none of the printed circuit boards or any other parts of video games manufactured and sold by plaintiff Midway Mfg. Co. were designed or manufactured by Universal Research Laboratories, Incorporated, of Elk Grove Village, Illinois.

4. He is informed and believes that Empire Distributing, Inc., does not manufacture video games but only sells such games of other manufacturers, for example, Atari, Inc. of California and Allied Leisure Industries, Inc. of Florida, and services the electronic circuit portions of those games by replacing defective printed circuit boards with similar boards supplied by the manufacturers. Further, he is informed and believes that details of the development, manufacture and operation of such portions is not known to personnel of Empire, but is available only at the facilities of the manufacturers in California and Florida and not in the Northern District of Illinois.

5. Magnavox has offered a license agreement relating to the video games involved in suit here, a copy of that agreement being attached hereto as Exhibit 8. In that agreement, Magnavox lists not only the four patents already in suit, but also, three other patents Nos. 3,497,829, 3,599,221 and 3,737,566 and two pending applications for U. S. patents, Serial Number 62,691,

filed August 10, 1970 and Serial Number 365,000, filed May 29, 1973.

6. Plaintiff is asserting in Paragraphs 9(e) and 10 of its Complaint here that the four patents in suit are invalid because of double patenting and, in conjunction with that position, will explore not only the circumstances of development relating to those patents, but also, the circumstances relating to the development of the devices forming the subject matter of the other three patents and two applications referred to in the license agreement and set forth in paragraph 5 above. On information and belief, the developments resulting in all of these patents and applications took place at the facilities of Sanders in New Hampshire and all personnel and documents relating to the developments are located there.

Donald L. Welsh
Donald L. Welsh

Subscribed and sworn to before me this 25th day of September, 1974.

Vali Ferri
Notary Public - My Commission

Expires: Sept. 19, 1975

②

DOCKETED
IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

OCT SEP 23 PM 4 27

THE MAGNAVOX COMPANY, a
Corporation, and SANDERS
ASSOCIATES, INC., a
Corporation,

Plaintiffs,

vs.

SEARS, ROEBUCK AND CO., a
Corporation,

Defendant.

CLERK
U.S. DISTRICT COURT

CIVIL ACTION NO.

COMPLAINT FOR
PATENT INFRINGEMENT

1. This action arises under the patent laws of the United States, Title 35, United States Code. Jurisdiction of this Court is based on Title 28, United States Code, Section 1338(a).

2. Plaintiff The Magnavox Company is a corporation organized and existing under the laws of the State of Delaware.

3. Plaintiff Sanders Associates, Inc. is a corporation organized and existing under the laws of the State of Delaware.

4. Defendant, Sears, Roebuck and Co., is a corporation organized and existing under the laws of the State of New York.

5. On April 25, 1972, United States Letters Patent 3,659,284 issued to plaintiff Sanders Associates, Inc. as assignee of William T. Rusch for an invention in TELEVISION GAMING APPARATUS and since that date, and until August 5, 1975, plaintiff Sanders Associates, Inc. was the owner of those Letters Patent 3,659,284.

6. On August 5, 1975, United States Letters Patent 3,659,284 was reissued as United States Letters Patent Re. 28,507 to plaintiff Sanders Associates, Inc. and since that date plaintiff Sanders Associates, Inc. has been and still is the owner of those Letters Patent Re. 28,507.

7. On April 25, 1972, United States Letters Patent 3,659,285 issued to plaintiff Sanders Associates, Inc. as assignee of Ralph H. Baer, William T. Rusch, and William L. Harrison for an invention in TELEVISION GAMING APPARATUS AND METHOD and since that date plaintiff Sanders Associates, Inc. has been and still is the owner of those Letters Patent 3,659,285.

8. On April 17, 1973, United States Letters Patent 3,728,480 issued to plaintiff Sanders Associates, Inc. as assignee of Ralph H. Baer for an invention in TELEVISION GAMING AND TRAINING APPARATUS and since that date plaintiff Sanders Associates, Inc. has been and still is the owner of those Letters Patent 3,728,480.

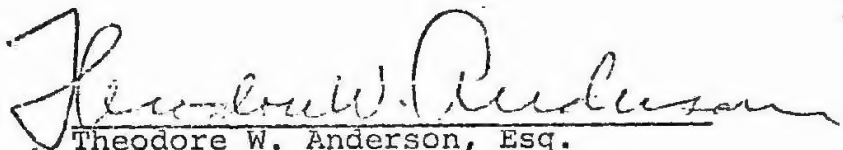
9. By an agreement entered into between plaintiff Sanders Associates, Inc. and plaintiff The Magnavox Company effective January 27, 1972, plaintiff The Magnavox Company has been and still is the exclusive licensee under said United States Letters Patent 3,659,284, 3,659,285, 3,728,480, and Re. 28,507.

10. Defendant, Sears, Roebuck and Co., has been and still is infringing said United States Letters Patent 3,659,284, 3,659,285, 3,728,480 and Re. 28,507 by making, using, selling, and/or offering for sale television gaming apparatus embodying the subject matters of the claims of said Letters Patent. Defendant's infringements of United States Letters Patent 3,659,285, 3,728,480 and Re. 28,507 will continue unless enjoined by this Court.

11. Defendant's infringements of said United States Letters Patent 3,659,284, 3,659,285, 3,728,480, and Re. 28,507 were and are willful and with full knowledge of said Letters Patent.

12. Plaintiff has placed the notice prescribed at Title 35, United States Code, Section 287(a) on all gaming apparatus manufactured and sold by it under said United States Letters Patent.

WHEREFORE, plaintiffs demand a preliminary and final injunction against continued infringement of said United States Letters Patent 3,659,285, 3,728,480 and Re. 28,507 by defendant; an accounting of the damages to plaintiffs and the profits to defendant caused by said infringements of said Letters Patent 3,659,284, 3,659,285, 3,728,480 and Re. 28,507; an assessment of three times the damages and profits so determined; an award of reasonable attorney fees; an assessment of interest and costs against defendant; and any other relief which the Court may deem just under the circumstances.



Theodore W. Anderson, Esq.
James T. Williams, Esq.
Neuman, Williams, Anderson & Olson
77 West Washington Street
Chicago, Illinois 60602
(312) 346-1200

September 22, 1975

Of Counsel:

Thomas A. Briody, Esq.
The Magnavox Company
1700 Magnavox Way
Fort Wayne, Indiana

Louis Etlinger, Esq.
Sanders Associates, Inc.
Daniel Webster Highway, South
Nashua, New Hampshire 03060